

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 PM-04 DODE-00 AID-05 EB-07 IGA-02 L-03

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FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 7793

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E.O. 11652: N/A

TAGS: EAIR, BEXP, MASS, MA

SUBJECT: POSSIBLE LOCKHEED SALE OF C-130'S TO MADAGASCAR

REF: A. STATE 238581; B. TANANARIVE 1615

1. LOCKHEED-GEORGIA REPRESENTATIVE WILLIS PUTNAM VISITED MADAGASCAR LATE OCTOBER AND EARLY NOVEMBER AT INVITATION OF COMMANDER OF MALAGASY AIR CORPS TO DISCUSS POSSIBLE SALE OF C-130'S. AFTER EXTENSIVE DISCUSSIONS WITH MALAGASY MILITARY PERSONNEL, PUTNAM REPORTED TO EMBASSY AND EMBASSY DEFENSE ATTACHE THAT THE MALAGASY GOVERNMENT IS DEFINITELY INTERESTED IN POSSIBLE PURCHASE OF ONE TO THREE C-130'S. MAIN USE ENVISAGED BY MALAGASY WOULD BE TO REPLACE AGING C-47'S NOW USED FOR MILITARY TRANSPORT. OWING TO LIMITED MILITARY FUNDS, HOWEVER, MALAGASY OFFICIALS INDICATED THEY MAY TRY TO HAVE THE COUNTRY'S CIVILIAN AIRLINE, AIR MADAGASCAR, PURCHASE ONE OF THE C-130'S.

2. BEFORE DEPARTURE PUTNAM INDICATED HE BELIEVES LOCKHEED HAS AN EXCELLENT CHANCE OF MAKING A SALE IF FINANCING CAN BE ARRANGED. TOTAL COST OF EACH C-130 IS APPROXIMATELY \$7.5 MILLION. THE MALAGASY ARE PREPARED TO PAY 10 PER CENT DOWN, BUT WISH TO ARRANGE FINANCING FOR THE BALANCE. PER REF A, EMBASSY INFORMED PUTNAM MADAGASCAR IS ELIGIBLE

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FOR FMS CASH SALES ONLY.

3. SUBSEQUENTLY, PUTNAM TALKED TO SEVERAL U.S. BANKS IN NAIROBI. ACCORDING TO EMBASSY NAIROBI, NONE OF THE BANKS WERE INTERESTED IN FINANCING MILITARY VERSION OF C-130, BUT SEVERAL EXPRESSED INTEREST IN PARTICIPATING IN FINANCING SALE OF COMMERCIAL VERSION. PUTNAM REPORTED HE RECEIVED CABLE FROM HIS WASHINGTON OFFICE INDICATING THAT THE EXPORT-IMPORT BANK WOULD ALSO BE INTERESTED.

4. WE ANTICIPATE DEPARTMENT AND EXIMBANK WILL BE HEARING FURTHER FROM LOCKHEED ON THIS POTENTIAL SALE OF C-130'S TO MADAGASCAR, IF THEY HAVE NOT ALREADY. FROM COMMERCIAL POINT OF VIEW, EMBASSY WOULD BE DELIGHTED TO SEE U.S. AIRCRAFT INDUSTRY MAKE THIS SALE. HOWEVER, GIVEN THE CURRENT POLITICAL SITUATION IN MADAGASCAR WE WOULD NOT RECOMMEND USG ASSISTANCE IN FINANCING, APART PERHAPS FROM LIMITED EXIMBANK PARTICIPATION IN A BASICALLY COMMERCIAL FINANCING PACKAGE.SHEINBAUM

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